

Calendar No. 511

116TH CONGRESS 2d Session	{	SENATE	{	REPORT 116-249
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SAFEGUARDING TOMORROW THROUGH ONGOING RISK MITIGATION ACT OF 2020

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 3418

TO AMEND THE ROBERT T. STAFFORD DISASTER RELIEF
AND EMERGENCY ASSISTANCE ACT TO ALLOW THE
ADMINISTRATOR OF THE FEDERAL EMERGENCY MANAGEMENT
AGENCY TO PROVIDE CAPITALIZATION GRANTS TO STATES TO
ESTABLISH REVOLVING FUNDS TO PROVIDE HAZARD MITIGATION
ASSISTANCE TO REDUCE RISKS FROM DISASTERS AND NATURAL
HAZARDS, AND OTHER RELATED ENVIRONMENTAL HARM



AUGUST 10, 2020.—Ordered to be printed

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AUGUST 10, 2020.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 3418]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 3418) to amend the Robert T. Stafford Disaster Relief and Emergency Assistance Act to allow the Administrator of the Federal Emergency Management Agency to provide capitalization grants to States to establish revolving funds to provide hazard mitigation assistance to reduce risks from disasters and natural hazards, and other related environmental harm, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

CONTENTS

	Page
I. Purpose and Summary	1
II. Background and Need for the Legislation	2
III. Legislative History	4
IV. Section-by-Section Analysis	4
V. Evaluation of Regulatory Impact	7
VI. Congressional Budget Office Cost Estimate	7
VII. Changes in Existing Law Made by the Bill, as Reported	10

I. PURPOSE AND SUMMARY

S. 3418, the Safeguarding Tomorrow through Ongoing Risk Management Act of 2020, or the “STORM Act”, authorizes the Administrator of the Federal Emergency Management Agency (FEMA) to provide capitalization grants to states to establish revolving loan funds. The Administrator can enter into agreements with states for

hazard mitigation projects that reduce disaster risk in order to decrease the loss of life and property, the cost of insurance, and Federal disaster payments. To be eligible to receive capitalization grants, the state must develop a statewide hazard mitigation plan. If localities want to be eligible for the capitalization grant that the state has received, local governments must supply the state with project proposals, assessments of recurring disaster vulnerabilities, and a description of how those projects would address the goals of the state's hazard mitigation plan. Projects should be prioritized if they: increase resilience or risk of harm to infrastructure; take regional impact hazards into account; and/or provide resilience for major economic sectors or critical national infrastructure.

II. BACKGROUND AND THE NEED FOR LEGISLATION

According to the National Oceanic and Atmospheric Administration (NOAA), since 1980, the United States has sustained 265 weather and climate disaster events in which the events' damages reached or exceeded \$1 billion.¹ NOAA estimates that the total cost of those 265 events exceeded \$1.775 trillion.²

More concerning is that trend analysis suggests these events are increasing. NOAA states that "2019 is the fifth consecutive year in which 10 or more billion-dollar weather and climate disaster events have impacted the [U.S.]."³ From 2015 through 2019, the U.S. experienced a total of 69 separate billion-dollar events.⁴

For example, in 2019, the Mississippi River was above its flood stage for the longest period in recorded history. Prior to 2019, the highest record was 152 days above the river's flood stage in 1927.⁵ During 2019, the volume of water in the river was 64 percent greater than the 10-year average and as of July 31 had been above the flood stage for 235 days with 206.3 trillion gallons of water flowing down the river.⁶ Along the Mississippi River, Cape Girardeau, Missouri, was above the flood stage from March 12th through August 4th—nearly 5 months of consecutive flooding.⁷ According to an economic analysis conducted by the Mississippi River Cities and Towns Initiative, losses in the 2019 flooding season "exceeded \$20 billion across 19 states in the Missouri, Arkansas, and Mississippi river watersheds."⁸

Fluctuating water levels in the Great Lakes have also resulted in hundreds of millions of dollars lost by the 40 million people and by the many industries in the region that are vital to our nation's

¹ *Billion-Dollar Weather and Climate Disasters: Overview*, Nat'l Ctrs. for Envtl. Info, <https://www.ncdc.noaa.gov/billions/> (last visited June 29, 2020).

² *Id.*

³ *Id.*

⁴ Adam B. Smith, *2010-2019: A Landmark Decade of U.S. Billion-Dollar Wealth and Climate Disasters*, Climate.gov (Jan. 8, 2020), <https://www.climate.gov/news-features/blogs/beyond-data/2010-2019-landmark-decade-us-billion-dollar-weather-and-climate#:~:text=2019%20also%20marks%20the%20fifth,in%20direct%20damages%20during%202019>.

⁵ Alisha Renfro, *Delta Dispatches: 5 Reasons Why 2019's Mississippi River Flood is the Most Unprecedented of Our Time*, Restore the Miss. River Delta (June 27, 2019), <http://mississippiriverdelta.org/5-reasons-why-2019s-mississippi-river-flood-is-the-most-unprecedented-of-our-time/>.

⁶ *Id.*

⁷ *Summary of Major Flooding Along Mississippi River in 2019*, Nat'l Weather Serv., <https://www.weather.gov/pah/MississippiRiverFlooding2019> (last visited June 29, 2020).

⁸ Graham Ambrose, *\$6.2 Billion: New Analysis Shows Total Flood Cost to Mississippi River States*, Muscatine Journal (Mar. 5, 2020), https://muscatinejournal.com/news/local/6-2-billion-new-analysis-shows-total-flood-costs-to-mississippi-river-states/article_bb344f1b-0808-51ce-9ddf-1d3f53829233.html.

economy.⁹ In Michigan alone, officials from the Michigan Municipal League estimate that shoreline erosion and flooding have resulted in \$63 million dollars in damage over the past year.¹⁰

There are numerous Federal mitigation grant programs that help states, cities, and communities rebuild. Many of the programs are implemented to offer assistance after a disaster passes or subsides. But hazard mitigation assistance is one identified area that can help increase resilience before disasters strike.

According to the Natural Institute of Building Sciences, “[n]atural hazard mitigation saves \$6 for every \$1 spent on federal mitigation grants.”¹¹ As it relates to the Mississippi River flooding events, FEMA stated that “above-code design and public-sector mitigation grant projects for riverine floods save more than they cost. The losses avoided by federally-funded riverine flood mitigation projects far exceeds the money spent (with a 7x return on investment).”¹²

This legislation aims to provide states with funding that will help them execute their own hazard mitigation projects. In order to be eligible for consideration for a grant, state and local governments must establish their own hazard mitigation plans and prove that identified projects will reduce disaster risk and decrease the loss of life and property, the cost of insurance, and Federal disaster payments. Furthermore, the hazard mitigation assistance will come in the form of a revolving loan fund, “pools of capital from which loans can be made for . . . projects—as loans are repaid, the capital is then reloaned for another project.”¹³ Although these loans can be offered through private investment, “[g]overnment-sponsored [revolving loan funds] typically offer lower interest rates and/or more flexible terms than are available in commercial capital markets.”¹⁴

As the U.S. Chamber of Commerce points out, “[t]he ongoing effects from disasters will multiply the existing investment gap and economic risks we face from failing to support critical infrastructure, the potential of nearly \$4 trillion in lost [Gross Domestic Product] and 2.5 million jobs.”¹⁵ To reduce future destruction to particular infrastructure that would cause distinct effects, this legislation requires the Administrator of FEMA to give special consideration and weight to projects that: increase resilience and reduce harm to infrastructure; require partnerships between two or more entities; take into account regional impacts; and/or promote resilience of major economic sectors or critical national infrastructure.

It is Congress’ intent that the original designated appropriation will provide states financially favorable terms and the ability to

⁹U.S. Geological Survey, *USGS Fact Sheet: Coastal Erosion of Southern Lake Michigan* <https://pubs.usgs.gov/fs/lake-michigan/> (last visited July 31, 2020).

¹⁰Paula Gardner, *Numbers show impact of Michigan coastline flooding and erosion from high water* Michigan Live (Mar. 30, 2020) <https://www.mlive.com/news/2020/03/numbers-show-impact-of-michigan-coastline-flooding-and-erosion-from-high-water.html> (last visited July 31, 2020).

¹¹*National Hazard Mitigation Saves Interim Report Fact Sheet*, FEMA Fed. Ins. & Mitigation Admin. (June 2018), https://www.fema.gov/media-library-data/15287_32098546-c3116b4c12a0167c31b46ba09d02edfa/FEMA_MitSaves-Factsheet_508.pdf (last visited June 29, 2020).

¹²*Id.*

¹³*Revolving Loan Funds*, Office of Energy Efficiency & Renewable Energy, <https://www.energy.gov/eere/slsc/revolving-loan-funds> (last visited June 29, 2020).

¹⁴*Id.*

¹⁵*Coalition Letter on H.R. 3779, the “Resilience Revolving Loan Fund Act of 2019”*, U.S. Chamber of Commerce (Feb. 6, 2020, 9:15 AM), <https://www.uschamber.com/letters-congress/coalition-letter-hr-3779-the-resilience-revolving-loan-fund-act-of-2019>.

start building resilience in a more timely and local manner than traditional pre-disaster hazard mitigation programs operated by the Federal Government. These original funds will contribute to the advancement of their own revolving fund by generating interest off the capital to allow state and local governments to start self-executing their own projects and reduce Federal disaster payments in the future and saving American lives.

III. LEGISLATIVE HISTORY

Ranking Member Gary Peters (D-MI) introduced S. 3418, the STORM Act of 2020, on March 9, 2020, with Chairman Ron Johnson (R-WI). The bill was referred to the Committee on the Homeland Security and Governmental Affairs. Senators James Lankford (R-OK) and Debbie Stabenow (D-MI) later joined as cosponsors.

The Committee considered S. 3418 at a business meeting on March 11, 2020. The bill was ordered reported favorably by voice vote *en bloc* without amendment. Senators present for the vote were Johnson, Portman, Lankford, Romney, Scott, Enzi, Hawley, Peters, Carper, Hassan, Harris, Sinema, and Rosen.

Pursuant to Committee rules, the bill is being reported with technical amendments.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section established that the bill may be cited as the “Safe-guarding Tomorrow through Ongoing Risk Management Act of 2020” or the “STORM Act”.

Section 2. Grants to Entities for Establishment of Hazard Mitigation Revolving Loan Funds

Section 2 adds a new Section 205 to the Robert T. Stafford Disaster Relief and Emergency Assistance Act under Title II.

New Section 205 subsection (a) lays out the general authorities of the hazard mitigation capitalization grant. Those authorities provide that the Administrator of FEMA may enter into agreements with entities to make capitalization grants available for the establishment of hazard mitigation revolving loan funds. It states that projects eligible for these funds should reduce disaster risk in order to decrease the loss of life and property, the cost of insurance, and Federal disaster payments.

New Section 205 subsection (b) lays out what an entity must provide FEMA in its application to be eligible for a grant. The entity must provide: project proposals comprised of local hazard mitigation projects; an assessment of recurring disaster vulnerabilities that demonstrates a risk to life and property; a description of how the entity’s hazard mitigation plan has taken risk to life and property into account; a description of how the proposed projects eligible for the grants would align to their respective local or state government’s hazard mitigation plan; and a proposal of how to achieve resilience through regional approaches where there may be shared vulnerable areas that could be effected by a single, natural disaster event. It also requires the Administrator of FEMA to provide technical assistance to eligible entities.

New Section 205 subsection (c) requires an entity that receives a capitalization grant to establish an entity loan fund through its respective emergency management agency. The established entity loan fund should only consist of funds provided by the capitalization grant, repayments of loans from the capitalization grants, and interest earned on amounts in the entity loan fund. The subsection requires the entity to deposit an amount no less than 10 percent of the amount of the capitalization grant. If the deposit from the entity is less than 10 percent the amount of the capitalization grant, the Administrator of FEMA is required to reduce the amount of the capitalization grant in proportion with the respective amount of the entity's deposit.

New Section 205 subsection (d) requires the Administrator of FEMA to reserve not more than 2.5 percent of the amount appropriated by the legislation in order to satisfy costs FEMA incurred, such as: administrative costs necessary to provide entities with the capitalization grants; costs necessary to provide technical assistance to applicants; and to provide grants to insular areas. The subsection requires the Administrator of FEMA to prioritize capitalization grants to entities that propose projects increasing resilience and reducing harm to infrastructure, requiring partnerships between two or more entities, taking into account regional impacts, and/or promoting resilience of major economic sectors or critical national infrastructure.

New Section 205 subsection (e) allows the Administrator of FEMA to delegate to participating entities the necessary environmental reviews that are required in order to be compliant for Federal projects.

New Section 205 subsection (f) limits how entities that received capitalization grants can use those grants to provide loans and also restricts how that entity can use: the deposit required by the entity at the time of receiving the capitalization grant; any loan repayments made to the entity; and any interest carried on such amount. This subsection requires that loans an entity provides from the capitalization grant do not exceed an interest rate of one percent. Annual principal and interest payments must start no later than one year after the completion of projects for which the grant was made and must be fully paid off within twenty years, except for loans provided to projects in low-income geographic areas, which must be paid off within thirty years. In order to be eligible to receive a loan, this section requires that the recipient: establish a dedicated revenue source to repay the loan; have a hazard mitigation plan in place that has been approved by the Administrator of FEMA; and enter all payments made to the entity into the entity loan fund. The subsection limits the amount of the capitalization grant an entity can use towards planning to ten percent. It also limits the amount of the capitalization grant that an entity can use towards administering loans. Those amounts cannot exceed whichever of the following is greater: \$100,000 per year; two percent of the capitalization grant provided to the entity in a fiscal year; or 1 percent of the value of the entity loan fund. In order to be eligible, the Administrator of FEMA must determine that a loan provided by the entity is not duplicative of another form of assistance or available program. This subsection also limits entities from using more than ten percent of the overall capitalization grant to-

wards implementing zoning and land use planning changes. An entity can enable loan recipients to use monies towards establishing and carrying out building code enforcement. Under this subsection, entities are limited to providing an amount equal to or more than \$5,000,000 towards a single hazard mitigation project.

Under new Section 205 subsection (g), eligible entities have to annually provide the Administrator of FEMA with a plan identifying the intended use of the entity loan fund. That plan must include: integrated planning efforts; an explanation of what the entity wants to achieve through mitigation projects; information on the availability of, and application for, financial assistance from the entity loan fund; amount of financial assistance the entity intends on providing; expected terms of assistance provided from the entity loan fund; a description of the entity loan funds' overall financial status; and short-term and long-term goals of the fund.

New Section 205 subsection (h) requires all participating entities to biennially conduct an audit of the entity loan fund and provide the Administrator of FEMA with a report on the audit and the effectiveness of the entity loan fund to address the respective entity's hazard mitigation goals put forth in their plans. The entity must publish and update information on projects that received funding from the entity loan fund. This subsection requires the Administrator of FEMA to conduct reviews and audits every four years to determine the effectiveness of the fund in reducing natural hazard risk.

New Section 205 subsection (i) requires the Administrator of FEMA to issue regulations or guidance necessary to ensure that the entity loan funds are: being used as efficiently as possible; protected to the maximum extent possible from waste, fraud, and abuse; and used in accordance with generally accepted accounting standards by any party receiving funds directly or indirectly from the entity loan fund.

New Section 205 subsection (j) states that FEMA shall not be liable for any claim based on its exercise or failure to exercise any discretionary function or duty in carrying out this new section.

New Section 205 subsection (k) defines: the term "Administrator" as the Administrator of FEMA; the term "Agency" as FEMA; the term "Eligible Entity" as a State or Indian tribal government that has received a major disaster declaration during the five year period preceding the enactment of the Act; the term "Hazard Mitigation Plan" as a mitigation plan submitted under section 322 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act; the term "Insular Area" as Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the United States Virgin Islands; the term "Low-Income Geographic Area" as an area described in paragraph (1) or (2) of section 301(a) of the Public Works and Economic Development Act of 1965; the term "Participating Entity" as an eligible entity that has entered an agreement created under this new section; the term "Repetitive Loss Structure" as the term given under section 1366(h) of the National Flood Insurance Act of 1968; and the term "State" as any State of the United States, the District of Columbia, and Puerto Rico.

New Section 205 subsection (l) authorizes an appropriation of \$100,000,000 for each fiscal year from fiscal year 2021 through fiscal year 2023.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 11, 2020.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 3418, the STORM Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jon Sperl.

Sincerely,

PHILLIP L. SWAGEL,
Director.

Enclosure.

At a Glance			
S. 3418, STORM Act			
As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on March 11, 2020			
By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	0	0	0
Revenues	0	-15	-35
Increase or Decrease (-) in the Deficit	0	15	35
Spending Subject to Appropriation (Outlays)	0	314	314
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
The bill would			
<ul style="list-style-type: none"> Authorize the appropriation of \$300 million for the Federal Emergency Management Agency to make grants to capitalize new revolving funds administered by states. State agencies would use those funds to make low-interest loans to local governments to finance projects designed to mitigate damage from future disasters 			
Estimated budgetary effects would primarily stem from			
<ul style="list-style-type: none"> Spending of the authorized and necessary amounts Revenue loss from issuing additional tax-exempt bonds 			
Detailed estimate begins on the next page.			

Bill summary: S. 3418 would authorize the appropriation of \$100 million annually for fiscal years 2021 through 2023 for the Federal Emergency Management Agency (FEMA) to make grants to capitalize new revolving funds administered by states. From those revolving funds, state agencies would make low-interest loans to local governments to finance projects that are designed to mitigate damage from future disasters.

Estimated Federal cost: The estimated budgetary effect of S. 3418 is shown in Table 1. The cost of the legislation falls within budget function 450 (community and regional development).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF S. 3418

	By fiscal year, millions of dollars—						
	2020	2021	2022	2023	2024	2025	2020–2025
Increases in Spending Subject to Appropriation							
Grants for Hazard Mitigation:							
Authorization	0	100	100	100	0	0	300
Estimated Outlays	0	3	37	80	90	90	300
Administrative Costs:							
Estimated Authorization	0	1	1	2	5	5	14
Estimated Outlays	0	1	1	2	5	5	14
Total Changes:							
Estimated Authorization	0	101	101	102	5	5	314

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF S. 3418—Continued

	By fiscal year, millions of dollars—						
	2020	2021	2022	2023	2024	2025	2020–2025
Estimated Outlays	0	4	38	82	95	95	314
Decreases in Revenues							
Estimated Revenues ^a	0	-1	-2	-3	-4	-5	-15

^a Estimate provided by the staff of the Joint Committee on Taxation. Enacting the bill would decrease revenues by a total of \$35 million over the 2020–2030 period.

Basis of estimate: For this estimate, CBO assumes that the legislation will be enacted in 2020 and that the authorized and estimated amounts will be provided beginning in 2021. Estimated outlays are based on historical spending patterns for similar programs.

Spending subject to appropriation: CBO estimates that implementing S. 3418 would cost \$314 million over the 2020–2025 period, assuming appropriation of the authorized and necessary amounts.

Grants for hazard mitigation: S. 3418 would authorize the appropriation of \$100 million annually for 2021, 2022, and 2023 for FEMA to make grants to states to capitalize new revolving funds. To receive assistance under the bill, states would need to contribute 10 percent of the amount of a federal grant to its revolving fund. CBO expects that states would use most of their revolving funds to assist local governments with infrastructure projects, such as projects that control flooding. The bill also would allow recipients to use small portions of assistance to develop zoning and land use plans and to enforce updated building codes.

To implement the bill, CBO estimates that FEMA would need about 18 months to hire new employees, establish the required auditing and reporting processes, issue program regulations, and review grant applications from states. Accordingly, CBO expects that FEMA would gradually increase the number of grants it would make through 2025. Estimated outlays are based on historical spending patterns for similar state revolving fund programs administered by other federal agencies. On that basis, CBO estimates that implementing the grants would cost \$300 million over the 2020–2025 period.

Administrative costs: S. 3418 would authorize FEMA to use up to 2.5 percent of amounts authorized by the bill, or a total of \$7.5 million, to pay administrative costs and provide technical assistance to states. However, based on information from FEMA about the costs of administering other grant programs, CBO estimates that the agency would need additional amounts each year over the 2020–2025 period to fully implement the program; CBO estimates the additional amounts needed for administrative costs would increase over the next five years as FEMA provides more grants. In total, CBO estimates that FEMA would need an additional \$14 million over the 2020–2025 period. Those amounts would cover the cost of 10 new staff members, contract support, technical assistance to states, and other operating costs.

Revenues: The staff of the Joint Committee on Taxation (JCT) expects that states would use a portion of the capitalization grants to leverage additional funds by issuing tax-exempt bonds. JCT esti-

mates that, as a result, S. 3418 would reduce federal revenues by \$35 million over the 2020–2030 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

TABLE 2.—CBO'S ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS OF S. 3418, THE STORM ACT, AS ORDERED REPORTED BY THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS ON MARCH 11, 2020

	By fiscal year, millions of dollars—												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020–2025	2020–2030
Net Increase in the Deficit													
Pay-As-You-Go Effect	0	1	2	3	4	5	4	4	4	4	15	35	

Increase in long-term deficits: CBO estimates that enacting S. 3418 would not increase deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.

Mandates: None.

Previous estimate: On February 19, 2020, CBO transmitted a cost estimate for H.R. 3779, the Resilience Revolving Loan Fund Act of 2019, which is similar to S. 3418. H.R. 3779 would authorize the appropriation of \$200 million for grants to capitalize state revolving funds, whereas S. 3418 would authorize the appropriation of \$300 million. As a result, CBO estimates that the cost of the grants under S. 3418 would be higher and JCT estimates that the reduction in revenues, which is related to the volume of grants provided, also would be greater under S. 3418.

Estimate prepared by: Federal Costs: Jon Sperl; Mandates: Rachel Austin; Revenues: Staff of the Joint Committee on Taxation.

Estimate reviewed by: Kim P. Cawley, Chief, Natural and Physical Resources Cost Estimates Unit; H. Samuel Papenfuss, Deputy Director of Budget Analysis; Theresa Gullo, Director of Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows: (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman:

ROBERT T. STAFFORD DISASTER RELIEF AND EMERGENCY ASSISTANCE ACT

* * * * *

TITLE II—DISASTER PREPAREDNESS AND MITIGATION ACTIVITIES

* * * * *

SEC. 205. GRANTS TO ENTITIES FOR ESTABLISHMENT OF HAZARD MITIGATION REVOLVING LOAN FUNDS.

(a) *GENERAL AUTHORITY.*—

(1) *IN GENERAL.*—The Administrator may enter into agreements with eligible entities to make capitalization grants to such entities for the establishment of hazard mitigation revolving loan funds (referred to in this section as ‘entity loan funds’) for providing funding assistance to local governments to carry out eligible projects under this section to reduce disaster risk in order to decrease—

- (A) the loss of life and property;
- (B) the cost of insurance; and
- (C) Federal disaster payments.

(2) *AGREEMENTS.*—Any agreement entered into under this section shall require the participating entity to—

- (A) comply with the requirements of this section; and
- (B) use accounting, audit, and fiscal procedures conforming to generally accepted accounting standards.

(b) *APPLICATION.*—

(1) *IN GENERAL.*—To be eligible to receive a capitalization grant under this section, an eligible entity shall submit to the Administrator an application that includes the following:

(A) Project proposals comprised of local government hazard mitigation projects, on the condition that the entity provides public notice not less than 6 weeks prior to the submission of an application.

(B) An assessment of recurring major disaster vulnerabilities impacting the entity that demonstrates a risk to life and property.

(C) A description of how the hazard mitigation plan of the entity has or has not taken the vulnerabilities described in subparagraph (B) into account.

(D) A description about how the projects described in subparagraph (A) could conform with the hazard mitigation plan of the entity and of the unit of local government.

(E) A proposal of the systematic and regional approach to achieve resilience in a vulnerable area, including impacts to river basins, river corridors, watersheds, estuaries, bays, coastal regions, micro-basins, micro-watersheds, ecosystems, and areas at risk of earthquakes, tsunamis, droughts, and wildfires.

(2) *TECHNICAL ASSISTANCE.*—The Administrator shall provide technical assistance to eligible entities for applications under this section.

(c) *ENTITY LOAN FUND.*—

(1) *ESTABLISHMENT OF FUND.*—An entity that receives a capitalization grant under this section shall establish an entity loan fund that complies with the requirements of this subsection.

(2) *FUND MANAGEMENT.*—Except as provided in paragraph (3), entity loan funds shall—

- (A) be administered by the agency responsible for emergency management; and
- (B) include only—

- (i) funds provided by a capitalization grant under this section;
- (ii) repayments of loans under this section to the entity loan fund; and
- (iii) interest earned on amounts in the entity loan fund.

(3) ADMINISTRATION.—A participating entity may combine the financial administration of the entity loan fund of such entity with the financial administration of any other revolving fund established by such entity if the Administrator determines that—

- (A) the capitalization grant, entity share, repayments of loans, and interest earned on amounts in the entity loan fund are accounted for separately from other amounts in the revolving fund; and
- (B) the authority to establish assistance priorities and carry out oversight activities remains in the control of the entity agency responsible for emergency management.

(4) ENTITY SHARE OF FUNDS.—

(A) IN GENERAL.—On or before the date on which a participating entity receives a capitalization grant under this section, the entity shall deposit into the entity loan fund of such entity, an amount equal to not less than 10 percent of the amount of the capitalization grant.

(B) REDUCED GRANT.—If, with respect to a capitalization grant under this section, a participating entity deposits in the entity loan fund of the entity an amount that is less than 10 percent of the total amount of the capitalization grant that the participating entity would otherwise receive, the Administrator shall reduce the amount of the capitalization grant received by the entity to the amount that is 10 times the amount so deposited.

(d) APPORTIONMENT.—

(1) IN GENERAL.—Except as otherwise provided by this subsection, the Administrator shall apportion funds made available to carry out this section to entities that have entered into an agreement under subsection (a)(2) in amounts as determined by the Administrator.

(2) RESERVATION OF FUNDS.—The Administrator shall reserve not more than 2.5 percent of the amount made available to carry out this section for the Federal Emergency Management Agency for—

- (A) administrative costs incurred in carrying out this section;
- (B) providing technical assistance to participating entities under subsection (b)(2); and
- (C) capitalization grants to insular areas under paragraph (4).

(3) PRIORITY.—In the apportionment of capitalization grants under this subsection, the Administrator shall give priority to entity applications under subsection (b) that—

- (A) propose projects increasing resilience and reducing risk of harm to natural and built infrastructure;
- (B) involve a partnership between 2 or more eligible entities to carry out a project or similar projects;

(C) take into account regional impacts of hazards on river basins, river corridors, micro-watersheds, macro-watersheds, estuaries, lakes, bays, and coastal regions and areas at risk of earthquakes, tsunamis, droughts, and wildfires; or

(D) propose projects for the resilience of major economic sectors or critical national infrastructure, including ports, global commodity supply chain assets (located within an entity or within the jurisdiction of local governments, insular areas, and tribal governments), power and water production and distribution centers, and bridges and waterways essential to interstate commerce.

(4) INSULAR AREAS.—

(A) APPORTIONMENT.—From any amount remaining of funds reserved under paragraph (2), the Administrator may enter into agreements to provide capitalization grants to insular areas.

(B) REQUIREMENTS.—An insular area receiving a capitalization grant under this section shall comply with the requirements of this section as applied to participating entities.

(e) ENVIRONMENTAL REVIEW OF REVOLVING LOAN FUND PROJECTS.—The Administrator may delegate to a participating entity all of the responsibilities for environmental review, decision making, and action pursuant the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.), and other applicable Federal environmental laws including the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) and the National Historic Preservation Act of 1966 (16 U.S.C. 470 et seq.) that would apply to the Administrator were the Administrator to undertake projects under this section as Federal projects so long as the participating entity carry out such responsibilities in the same manner and subject to the same requirements as if the Administrator carried out such responsibilities.

(f) USE OF FUNDS.—

(1) TYPES OF ASSISTANCE.—Amounts deposited in an entity loan fund, including loan repayments and interest earned on such amounts, may be used—

(A) to make loans, on the condition that—

(i) such loans are made at an interest rate of not more than 1 percent;

(ii) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans made under this subparagraph will be fully amortized—

(I) not later than 20 years after the date on which the project is completed; or

(II) for projects in a low-income geographic area, not later than 30 years after the date on which the project is completed and not longer than the expected design life of the project; (iii) the loan recipient of a loan under this subparagraph establishes a dedicated source of revenue for repayment of the loan;

(iv) the loan recipient of a loan under this subparagraph has a hazard mitigation plan that has been approved by the Administrator; and

(v) the entity loan fund will be credited with all payments of principal and interest on all loans made under this subparagraph;

(B) for mitigation efforts, in addition to mitigation planning under section 322 not to exceed 10 percent of the capitalization grants made to the participating entity in a fiscal year;

(C) for the reasonable costs of administering the fund and conducting activities under this section, except that such amounts shall not exceed \$100,000 per year, 2 percent of the capitalization grants made to the participating entity in a fiscal year, or 1 percent of the value of the entity loan fund, whichever amount is greatest, plus the amount of any fees collected by the entity for such purpose regardless of the source; and

(D) to earn interest on the entity loan fund.

(2) **PROHIBITION ON DETERMINATION THAT LOAN IS A DUPLICATION.**—In carrying out this section, the Administrator may not determine that a loan is a duplication of assistance or programs under this Act.

(3) **PROJECTS AND ACTIVITIES ELIGIBLE FOR ASSISTANCE.**—Except as provided in this subsection, a participating entity may use funds in the entity loan fund to provide financial assistance for projects or activities that mitigate the impacts of natural hazards including—

- (A) drought and prolonged episodes of intense heat;
- (B) severe storms, including hurricanes, tornados, wind storms, cyclones, and severe winter storms;
- (C) wildfires;
- (D) earthquakes;
- (E) flooding;
- (F) shoreline erosion;
- (G) high water levels; and
- (H) storm surges.

(4) **ZONING AND LAND USE PLANNING CHANGES.**—A participating entity may use not more than 10 percent of a capitalization grant under this section to enable units of local government to implement zoning and land use planning changes focused on—

(A) the development and improvement of zoning and land use codes that incentivize and encourage low-impact development, resilient wildland-urban interface land management and development, natural infrastructure, green stormwater management, conservation areas adjacent to floodplains, implementation of watershed or greenway master plans, and reconnection of floodplains;

(B) the study and creation of agricultural risk compensation districts where there is a desire to remove or set-back levees protecting highly developed agricultural land to mitigate for flooding, allowing agricultural producers to receive compensation for assuming greater flood risk that would

alleviate flood exposure to populations centers and areas with critical national infrastructure;

(C) the study and creation of land use incentives that reward developers for greater reliance on low impact development stormwater best management practices, exchange density increases for increased open space and improvement of neighborhood catch basins to mitigate urban flooding, reward developers for including and augmenting natural infrastructure adjacent to and around building projects without reliance on increased sprawl, and reward developers for addressing wildfire ignition; and

(D) the study and creation of an erosion response plan that accommodates river, lake, forest, plains, and ocean shoreline retreating or bluff stabilization due to increased flooding and disaster impacts.

(5) ESTABLISHING AND CARRYING OUT BUILDING CODE ENFORCEMENT.—A participating entity may use capitalization grants under this section to enable units of local government to establish and carry out the latest published editions of relevant building codes, specifications, and standards for the purpose of protecting the health, safety, and general welfare of the buildings users against disasters and natural hazards.

(6) ADMINISTRATIVE AND TECHNICAL COSTS.—For each fiscal year, a participating entity may use the amount described in paragraph (1)(C) to—

(A) pay the reasonable costs of administering the programs under this section, including the cost of establishing an entity loan fund; and

(B) provide technical assistance to recipients of financial assistance from the entity loan fund, on the condition that such technical assistance does not exceed 5 percent of the capitalization grant made to such entity.

(7) LIMITATION FOR SINGLE PROJECTS.—A participating entity may not provide an amount equal to or more than \$5,000,000 to a single hazard mitigation project.

(g) INTENDED USE PLANS.—

(1) IN GENERAL.—After providing for public comment and review, and consultation with appropriate government agencies of the State or Indian Tribe, Federal agencies, and interest groups, each participating entity shall annually prepare and submit to the Administrator a plan identifying the intended uses of the entity loan fund.

(2) CONTENTS OF PLAN.—An entity intended use plan prepared under paragraph (1) shall include—

(A) the integration of entity planning efforts, including entity hazard mitigation plans and other programs and initiatives relating to mitigation of major disasters carried out by such entity;

(B) an explanation of the mitigation and resiliency benefits the entity intends to achieve by—

(i) reducing future damage and loss associated with hazards;

(ii) reducing the number of severe repetitive loss structures and repetitive loss structures in the entity;

(iii) decreasing the number of insurance claims in the entity from injuries resulting from major disasters or other natural hazards; and

(iv) increasing the rating under the community rating system under section 1315(b) of the National Flood Insurance Act of 1968 (42 U.S.C. 4022(b)) for communities in the entity;

(C) information on the availability of, and application process for, financial assistance from the entity loan fund of such entity;

(D) the criteria and methods established for the distribution of funds;

(E) the amount of financial assistance that the entity anticipates apportioning;

(F) the expected terms of the assistance provided from the entity loan fund; and

(G) a description of the financial status of the entity loan fund, including short-term and long-term goals for the fund.

(h) AUDITS, REPORTS, PUBLICATIONS, AND OVERSIGHT.—

(1) BIENNIAL ENTITY AUDIT AND REPORT.—Beginning not later than the last day of the second fiscal year after the receipt of payments under this section, and biennially thereafter, any participating entity shall—

(A) conduct an audit of such fund established under subsection (b); and

(B) provide to the Administrator a report including—

(i) the result of any such audit; and

(ii) a review of the effectiveness of the entity loan fund of the entity with respect to meeting the goals and intended benefits described in the intended use plan submitted by the entity under subsection (f).

(2) PUBLICATION.—A participating entity shall publish and periodically update information about all projects receiving funding from the entity loan fund of such entity, including—

(A) the location of the project;

(B) the type and amount of assistance provided from the entity loan fund;

(C) the expected funding schedule; and

(D) the anticipated date of completion of the project.

(3) OVERSIGHT.—

(A) IN GENERAL.—The Administrator shall, at least every 4 years, conduct reviews and audits as may be determined necessary or appropriate by the Administrator to carry out the objectives of this section and determine the effectiveness of the fund in reducing natural hazard risk.

(B) GAO REQUIREMENTS.—The entity shall conduct audits under paragraph (1) in accordance with the auditing procedures of the Government Accountability Office, including generally accepted government auditing standards.

(C) RECOMMENDATIONS BY ADMINISTRATOR.—The Administrator may at any time make recommendations for or require specific changes to an entity loan fund in order to improve the effectiveness of the fund.

(i) *REGULATIONS OR GUIDANCE.*—The Administrator shall issue such regulations or guidance as are necessary to—

- (1) ensure that each participating entity uses funds as efficiently as possible;
- (2) reduce waste, fraud, and abuse to the maximum extent possible; and
- (3) require any party that receives funds directly or indirectly under this section, including a participating entity and a recipient of amounts from an entity loan fund, to use procedures with respect to the management of the funds that conform to generally accepted accounting standards.

(j) *LIABILITY PROTECTIONS.*—The Federal Emergency Management Agency shall not be liable for any claim based on the exercise or performance of, or the failure to exercise or perform, a discretionary function or duty by the Agency, or an employee of the Agency in carrying out this section.

(k) *DEFINITIONS.*—In this section, the following definitions apply:

- (1) *ADMINISTRATOR.*—The term “Administrator” means the Administrator of the Federal Emergency Management Agency.
- (2) *AGENCY.*—The term “Agency” means the Federal Emergency Management Agency.

- (3) *ELIGIBLE ENTITY.*—The term “eligible entity” means—
 - (A) a State; or
 - (B) an Indian tribal government that has received a major disaster declaration during the 5-year period ending on the date of enactment of the STORM Act.

- (4) *HAZARD MITIGATION PLAN.*—The term “Hazard mitigation plan” means a mitigation plan submitted under section 322.

- (5) *INSULAR AREA.*—The term “insular area” means Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the United States Virgin Islands.

- (6) *LOW-INCOME GEOGRAPHIC AREA.*—The term “low-income geographic area” means an area described in paragraph (1) or (2) of section 301(a) of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161(a)).

- (7) *PARTICIPATING ENTITY.*—The term “participating entity” means an eligible entity that has entered into an agreement under this section.

- (8) *REPETITIVE LOSS STRUCTURE.*—The term “repetitive loss structure” has the meaning given the term in section 1370 of the National Flood Insurance Act of 1968 (42 U.S.C. 4121).

- (9) *SEVERE REPETITIVE LOSS STRUCTURE.*—The term “severe repetitive loss structure” has the meaning given the term in section 1366(h) of the National Flood Insurance Act of 1968 (42 U.S.C. 4104c(h)).

- (10) *STATE.*—The term “State” means any State of the United States, the District of Columbia, and Puerto Rico.

(l) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated \$100,000,000 for each of fiscal years 2021 through 2023 to carry out this section.

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